

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6785

BILL NUMBER: HB 1413

DATE PREPARED: Jan 5, 1999

BILL AMENDED:

SUBJECT: Worker's compensation benefits.

FISCAL ANALYST: Brian Tabor

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the compensation benefits per degree of permanent partial impairment for worker's compensation through 2002. It also provides increases in the worker's compensation average weekly wage through 2001.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill makes several additions to worker's compensation law.

Permanent Partial Impairment: The bill increases the rates for calculating permanent partial impairment compensation. The rates traditionally vary depending on the degree of impairment resulting from the injury. A different set of rates each year for three years would be established by this proposal (see Table A below). The rates would be effective for injuries occurring after the date shown in each column.

TABLE A: Permanent Partial Impairment Rate Additions

Permanent Partial Impairment Degrees of Injury	<i>Current</i> (in statute)	<i>Effective</i> July 1, 1999 (in statute)	<i>Effective</i> July 1, 2000 (Proposed)	<i>Effective</i> July 1, 2001 (Proposed)	<i>Effective</i> July 1, 2002 (Proposed)
1 to 10	\$750	\$900	\$950	\$1,000	\$1,050
11 to 35	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400
36 to 50	\$1,400	\$1,600	\$1,800	\$2,000	\$2,200
51 to 100	\$1,700	\$2,000	\$2,200	\$2,400	\$2,600

Average Weekly Wage: This bill also increases the maximum average weekly wage, which is used in determining the payment of permanent partial impairment compensation. This bill also increases the maximum average weekly wage used in the determination of compensation for temporary total disability, temporary partial disability, and total permanent disability. Medical benefits are determined by the degree of impairment and are not based on the wage (see Table B).

Maximum Compensation: The bill also increases the maximum compensation (exclusive of medical benefits) that may be paid for an injury under this law. New maximum compensation limits are added for injuries occurring after July 1, 2001 and July 1, 2002 (see Table B below).

Table B: Average Weekly Wage and Maximum Compensation Additions

	<i>Current (in statute)</i>	<i>Effective July 1, 1999 (in statute)</i>	<i>Effective July 1, 2000 (in statute)</i>	<i>Effective July 1, 2001 (Proposed)</i>	<i>Effective July 1, 2002 (Proposed)</i>
Average Weekly Wages	\$702	\$732	\$762	\$807	\$840
Maximum Compensation	\$234,000	\$244,000	\$254,000	\$269,000	\$280,000

It is very difficult to determine the potential cost of these additions. SEA 12 (ss) in 1997 included similar adjustments for three years of permanent partial impairment rate increases and four years of average weekly wage increases. An actuarial analysis of these changes was performed by the National Council on Compensation Insurance (NCCI). The results predicted annual increases in premium rates of 5.6%, 0.4%, 2.6%, and 0.3% beginning 7/1/1997 (however, the 1997 bill included numerous other provisions not in this proposal, and these other provisions could have contributed to cost increases).

Despite the NCCI's projections, actual premium rates effective 1/1/1997 through 1/1/1999 have actually declined by 1.4% (based on the advisory rate filed by the Indiana Compensation Rating Bureau). Compensation paid to state employees has also not increased drastically. Indemnity payments totaled approximately \$2.9 M in FY 1996, \$3.1 M in FY 1997, and \$3.4 in FY 1998.

The discrepancy between the NCCI's projections and the actual premium rate changes demonstrate the difficulty in estimating the impact of this type of proposal. It is not known at this time how the provisions of this bill will impact state compensation costs, although it is likely that there will eventually be an increase. It is also probable that the impact of this bill will be smaller than that of 1997's SEA 12 (ss). The information in this fiscal note will be updated when a reliable cost estimate becomes available.

Explanation of State Revenues:

Explanation of Local Expenditures: Local governments and school corporations would also be subject to additional worker's compensation costs due to provisions of this bill (see above Explanation of State Expenditures).

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local governments, school corporations.

Information Sources: Katrina Clingerman, Policy Analyst, Worker's Compensation Board, (317) 233-3382; Keith Beesly, Staff Attorney, Department of Personnel, (317) 233-3062.